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Shaktikanta Das: Good Morning. I will make the usual customary statement in the beginning following which we will have questions and answers and other comments by me and my colleagues.

Over the past three days, i.e., during 1st, 3rd and 4th October, 2019 the Monetary Policy Committee discussed and evaluated recent macroeconomic and financial developments, and the outlook. Taking into consideration all available information and analyses, the MPC voted unanimously to reduce the policy repo rate, with five members voting to reduce the policy rate by 25 basis points. The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target.

I would like to express my gratitude to the MPC members for the discussions we had, and their deep insights and experience, which are reflected in the policy decision and in the Resolution that has just been released on the website of the RBI.

I also want to thank our teams in the RBI for their continued high quality support to the MPC's deliberations with their hard work, research and logistics.

Let me begin by giving a brief overview of the salient aspects of the MPC's deliberations. In its view, the global economy has lost further momentum since the August 2019 meeting of the MPC, with trade and geo-political tensions purveying heightened uncertainty. Among advanced economies (AEs), the slowdown in the second quarter of calendar 2019 appears to have extended into the third quarter as well. For emerging market economies (EMEs), the worsening global economic and trade environment is weighing upon their macroeconomic performance. Crude oil prices were pulled down by softer demand and adequate supplies until the mid-September disruptions in refineries in Saudi Arabia, but normalisation has occurred faster than expected. Global financial markets have remained unsettled, with bouts of volatility in response to pessimism over global growth prospects. Against this backdrop, central banks across the world are becoming increasingly accommodative in their monetary policy stances, aided by benign inflation conditions.

With regard to the domestic economy, the slump in real GDP growth to 5 per cent in the first quarter of 2019-20 has been followed by generally weaker high frequency indicators for the second quarter. Industrial production was lower in July 2019 on a year-on-year basis, pulled down mainly by manufacturing. The production of capital goods and consumer durables contracted. The output of eight core industries contracted in August, with the production of coal, electricity, crude oil and cement decelerating or going into contraction. The manufacturing PMI for September 2019 was flat, though still in the expansion zone. High frequency indicators suggest that services sector activity weakened in July-August. Indicators of rural and urban demand continued to slow down in July-August. The Reserve Bank's consumer confidence survey also shows weak consumer sentiment, especially relating to non-essential items.

On the positive side, there has been a rapid catch-up in the south-west monsoon rainfall, after an initial delay in its onset. By September 30, 2019, the cumulative all-India rainfall surpassed the long period average (LPA) by 10 per cent. While the first advance estimates of major kharif crops for 2019-20 are only 0.8 per cent lower than last year's fourth advance estimates, the prospects for the *rabi* 2019 season have brightened, with the live storage of water in major reservoirs on September 26, 2019 being 115 per cent of the live storage of the corresponding period of the previous year and 121 per cent of average storage level over the last ten years.

Abundant rains in August and September have led to improved soil moisture conditions in most parts of the country. Overall, Indian agriculture is well-positioned to lead the recovery, which augurs well for rural employment and income, and the revival of domestic demand. In the industrial sector, consumer non-durables and intermediate goods have posted sustained expansion during 2019-20 so far and have emerged as potential growth drivers. Moreover, the infrastructure/construction sector activity look better in August, as per the IIP data. Among service sector indicators, domestic air passenger traffic accelerated in August.

Turning to the external sector, with merchandise imports contracting faster than exports, the trade deficit narrowed during July-August, 2019. Higher net services receipts and private transfer receipts helped contain the current account deficit to 2.0 per cent of GDP in Q1:2019-20 from 2.3 per cent a year ago. On the financing side, net foreign direct investment rose to US$ 17.7 billion in April-July 2019 from US$ 11.4 billion a year ago. Net foreign portfolio investment (excluding the voluntary retention route) was of the order of US$ 3.3 billion during April-September 2019 as against net outflow of US$ 11.5 billion in the same period of last year. Net disbursals of external commercial borrowings rose to US$ 8.2 billion during April-August 2019 as against net repayments of US$ 0.2 billion during the same period a year ago. India's foreign exchange reserves were at US$ 434.6 billion on October 1, 2019 – an increase of US$ 21.7 billion over end-March 2019.

On the inflation front too, there have been positive developments. Consumer price headline inflation has moved in a narrow range of 3.1-3.2 per cent between June and August. While food inflation picked up, fuel prices moved into deflation; and inflation excluding food and fuel softened in a broad-based manner in August, and offset the firming up of food prices. Inflation expectations of households rose by 20 basis points for the one year ahead horizon, but this possibly reflected households' adaptive expectations in response to the rise in food prices in recent months. Manufacturing firms see weak pricing power in Q3, which renders the outlook for selling prices benign.

Overall liquidity in the system remained in surplus in August and September. Reflecting easy liquidity conditions, the weighted average call rate (WACR) traded below the policy repo rate in August and September. However, monetary transmission remains work in progress. As against the cumulative policy repo rate reduction of 110 bps during February-August 2019, the weighted average lending rate (WALR) on fresh rupee loans of commercial banks declined by 29 bps.

Taking into account these developments, and the impact of recent policy rate cuts, the MPC has revised CPI inflation projections slightly upwards to 3.4 per cent for Q2:2019-20, but retained its projections for H2:2019-20 at 3.5-3.7 per cent. For Q1:2020-21, inflation is projected at 3.6 per cent, with risks evenly balanced. Real GDP growth for 2019-20 has now been revised downwards from 6.9 per cent in the August policy to 6.1 per cent – 5.3 per cent in Q2:2019-20 and in the range of 6.6-7.2 per cent for H2:2019-20 – with risks evenly balanced; GDP growth for Q1:2020-21 has also been revised downwards to 7.2 per cent.

Noting that the output gap has widened since its last meeting, the MPC was of the view that the continuing slowdown warrants intensified efforts to restore the growth momentum. Recent measures announced by the Government are likely to help strengthen private consumption and spur private investment activity. With policy space available on account of inflation expected to remain below target in the remaining period of 2019-20 and Q1:2020-21, the MPC decided to reduce the policy rate by 25 basis points and continue with the accommodative stance as long as it is necessary to revive growth, while ensuring that inflation remains within the target.

Now, I shall address some developmental and regulatory policy measures undertaken today for strengthening regulation and supervision; broadening and deepening financial markets; and improving the payment and settlement systems.

On regulation and supervision, micro finance institutions (MFIs) play an important role in delivering credit to those in the bottom of the economic pyramid. Accordingly, the household income limit for borrowers of Non-Banking Financial Company-Micro Finance Institution (NBFC-MFIs) has been increased from the current level of ₹ 1.00 lakh for rural areas and ₹ 1.60 lakh for urban/semi urban areas to ₹ 1.25 lakh and ₹ 2.00 lakh, respectively. Furthermore, the lending limit per eligible borrower has been raised from ₹ 1 lakh to ₹ 1.25 lakh. These measures are expected to boost MFI lendings to the bottom of the economic pyramid.

In the area of financial markets, some of the recommendations of the Task Force on Offshore Rupee Markets (Chairperson: Smt. Usha Thorat) have been accepted. Accordingly, domestic banks will be allowed to freely offer foreign exchange prices to non-residents at all times, out of their Indian books, either by a domestic sales team or through their overseas branches. Also, rupee derivatives (with settlement in foreign currency) will be allowed to be traded in International Financial Services Centres (IFSCs). Other recommendations of the Committee are under consideration.

The scope of non-interest bearing Special Non-resident Rupee (SNRR) Account has been expanded by permitting persons resident outside India to open such accounts to facilitate rupee denominated external commercial borrowing (ECB), trade credit and trade invoicing. Furthermore, restriction on the tenure of SNRR accounts, which is currently 7 years, will also be removed for these purposes.

On payment and settlement systems, several measures have been announced. First, collateralised liquidity support, which is currently available till 7.45 pm, will now be available round the clock on all NEFT working days in order to facilitate smooth settlement of National Electronic Funds Transfer on 24x7 basis for members of public from December, 2019. This will help in better funds management by banks. Second, in order to strengthen the grievance redressal mechanism for customer complaints, it has been decided to institutionalise an internal ombudsman scheme at the large non-bank pre-paid payment instruments (PPI) issuers (entities who have more than 10 million pre-paid payment instruments outstanding). Third, in order to increase digitisation in Tier III to Tier VI centres through wider acceptance infrastructure, and as indicated in the Payment System Vision Document 2021 of RBI and also recommended by the Committee on Deepening of Digital Payments (Chairperson: Shri Nandan Nilekani), it has been decided to create an Acceptance Development Fund (ADF). Fourth, with a view to expanding and deepening the digital payments ecosystem, it has been decided that State/UT Level Bankers Committees (SLBCs/ UTLBCs) shall identify one district per State/UT on a pilot basis in consultation with banks and stakeholders to make it 100% digitally enabled. The identified district may be allocated to a bank with significant footprint in that district. This would enable every individual in the pilot district to make/receive payments digitally in a safe, secure, quick, affordable and convenient manner.

Thank you.

Govardhan Rangan

The Economic Times: The MPC acknowledges the government's measures to spur demand and private consumption. But it is silent on what its impact would be on the fiscal deficit and it is going to have almost 1.45 lakh crores dent on the revenue. Did MPC deliberate about this issue and if it did, what is the outcome of that?

Shaktikanta Das: At this point of time, it may be noted that the government has made a statement that they will adhere to the fiscal deficit target of the current year. So, we have therefore no reason to doubt the commitment of the government to maintain the fiscal deficit number as given in the budget. And, this I would say because as you know government has several sources of revenue, so, whatever shortfall is expected because of the announcement of the corporate tax rate cuts, the government has option of making it up through other sources. But since government has come out with the statement and going by the past track record of the government, we have no reason to doubt the statement of the government and we go by the statement made by the government that they will maintain the fiscal deficit target.

Latha Venkatesh

CNBC TV18: Further to the question on fiscal deficit, will the open market purchase policy of the Reserve Bank be only to ensure adequate liquidity in the banking system or will it also be to force further transmission because the market may worry, the yields maybe pushed up because of fiscal deficit fears?

Shaktikanta Das: OMO is basically a liquidity instrument. It has also been stated in our working group report. Now RBI has several instruments to infuse liquidity. We have the OMOs which have been there already. So, that remains in our tool kit, we have the FOREX swap which we have introduced last year, then term repo is something which has been also added this year in the internal working group's recommendations. So therefore, so far as RBI is concerned, OMO will be done to deal with the liquidity situation, either infuse liquidity or to suck out liquidity. And in any case, RBI does not manage yields, yields are market-driven.

Latha Venkatesh: So the internal working group recommendations are accepted in that?

Shaktikanta Das: No, let me clarify, these are recommendations of the internal working group and they do not represent the institutional position of the RBI. The internal working group recommendations are now placed in the public domain. We will receive the comments and observations from public and all stakeholders and they will be taken into consideration, then we will decide on the final framework.

Pradeep Pandya:
CNBC Awaaz

Sir in Paragraph-22, you have said that MPC decided to continue with an accommodative stance as long as it would be necessary to revive growth. So what indication do you want to give? This is especially relevant in the context that before policy we spoke to many people and their view was that you may reach near about 5% and 4.75% on growth, which is historically low, so there is no space to go beyond that. So, by this statement, are you and the MPC giving this indication that for policy rate there is no lower bound as such?

Shaktikanta Das: No, how much policy rate is around the lower bound- we have not said anything about it. What we want to say that we are giving some kind of forward guidance that as long as growth momentum remains as it is and till the growth is revived, RBI will continue to remain in an accommodative mode. So, you cannot make a conclusion out of it on what is the minimum rate, what is the minimum repo rate where the RBI will take a pause. It is not possible to comment on that at this particular point of time. All that it says is to give clear indication that RBI will continue with the accommodative stance as long as it is necessary to revive the growth momentum.

Pradeep Pandya:
CNBC Awaaz

Are you or MPC are seeing the historical low as a lower bound?

Shaktikanta Das: No, it will not be possible for me to say anything about the lower bound. That will again depend on deliberations of the MPC. When the next deliberation of MPC will happen then the decision will be taken.

Anup Roy
Business Standard

Government is now asking Rupees 30,000 crores interim dividend from the RBI. But we understood from Jalan Committee Report that there will be no concept of interim dividend. Can you please clarify?

Shaktikanta Das: As you said that you saw it in the media, I also saw it in the media. I am not aware of any such demand from the government for payment of interim dividend.

Swati Khandelwal
Zee Business:

My question is: you have done 25 basis points rate cut but the market expected 40 basis points rate cut. What were the reasons that you did not think you could go to 40 basis points because still we are not seeing the revival in growth. So, your thoughts on why you could not cut 40 basis points- that is the first question? Second, you talked about 110 basis points rate cut that has been done till now and the monetary transmission you said is work-in-progress. By when do you expect that staggered or incomplete transmission would align because when it happens then we can talk about growth revival, since we still cannot see credit growth uptake of banks. So, what would you say to the banks?

Shaktikanta Das: As I have told you that it is kind a forward guidance and we have given a clear indication that the accommodative stance will continue. And we have now cut the policy rate by 110 plus another 25, so 135 basis points. So, one has to also see its impact and it does take time for the impact to filter in, into the real economy. So therefore, we will have to see the impact of all these policy rate cuts. We will have to also see how the fiscal measures which government has taken over the last few months in three separate installments and then of course the corporate tax rate cut; how these impact the real economy. And at this point of time, 25 basis points was therefore the call which the MPC has taken.

Mythili Bhusnurmath
ET Now: I wanted to ask the Governor something that has not been discussed is that was there any discussion at all in the MPC about the ongoing NBFC crisis and what happened in the Punjab and Maharashtra Cooperative Bank, and, in hindsight, since it was a scheduled bank; could the RBI could have done it better because you had CRR, you had SLR, you also have lender of last resort because it is a scheduled bank and we saw in a

very similar much larger private bank, RBI did manage what is virtually a run on the bank. So, could we have avoided the kind of panic and the worries now? It may not be warranted but there are genuine worries about the strength of the banking system including cooperative banks, private banks, district cooperative banks, everything. So was there any discussion on that because if we do not have financial stability, then inflation, growth- everything becomes quite meaningless.

Shaktikanta Das: The points which you mentioned about the banking sector or cooperative banks or NBFCs, this is not within the purview of the MPC. So therefore, MPC does not discuss these issues. But since you have raised the point, I would like to say that so far as RBI is concerned and as we see it, in fact, I would like to make it very clear and as we have already issued a press statement sometime last week, I just want to pre-empt some of your questions. Let me say that the Indian banking sector remains sound and stable and there is no reason for any unnecessary panic. In fact, sometimes unnecessary rumors can create a panic situation. So, through you, I would like to appeal the members of the public and all depositors not to believe in such rumors, our banking system remains sound and stable. And with regard to cooperative banking sector, as you pointed out, individual cases, it is not proper for me to discuss and in any case this case is already under investigation of the Economic Offences Wing. But having said that, let me make a mention that as soon as this issue came to our notice, RBI has acted very swiftly and very promptly. It came to our notice just a few days before we appointed the administrator on 23rd and in the last 12-13-days after appointment of the administrator, you have to see what RBI has done; we have appointed the administrator, now we have declared that we are going to have an advisory committee, we have reviewed the liquidity position, the administrator internally has reviewed the liquidity position and based on that, we have announced first the withdrawal to be enhanced to ₹10,000 per depositor and yesterday, to ₹25,000 per depositor and number of other steps we have taken. Complaint has been filed with the Economic Offences Wing. So, number of steps have been taken and RBI has acted very swiftly. And again, to preempt one more question, let me say that one incident should not be used to generalize about the health of the cooperative banking sector.

Mythili Bhusnurmath: Would liquidity support followed by PCA have been a better way of ensuring that we did not have this kind of adverse public fall out?

Shaktikanta Das: You see, where PCA is appropriate that is prompt corrective action is appropriate, RBI will use the PCA framework and recently again to pre-empt one more question which may come up. Let me say that one private sector bank we have very recently, placed it under our prompt corrective action framework and on this again because of various reports which are now being coming out, let me say that prompt corrective action framework is nothing new. In the past, RBI has put banks under prompt corrective action to ensure that timely steps are taken to bring the bank back on rails. When there are certain deviations from regulatory framework, we put a bank under prompt corrective action and the prompt corrective action involves that the bank is required to take certain steps to correct those regulatory deviations or deficiencies. So, this is nothing new and it is a kind of corrective measure. It gives an opportunity to bank to correct itself and that is how it should be seen and wherever PCA is required, wherever our criteria demand that the PCA framework is required, we will use the PCA framework. Where other measures like appointing an administrator is concerned, it will be used in appropriate cases.

Latha Venkatesh: May I follow up on this. Therefore, should one assume since this particular bank has been put under PCA, it was to get a lot of capital if it were allowed to merge with Indiabulls. Should we therefore assume that RBI has taken a call that the merger is not coming?

Shaktikanta Das: I think it is a speculative question and as long as the decision is given out in the public domain, it is not correct on our part and as long as we decide and we let out the decision in public domain, I would not like to comment on this individual proposals and as I have said, it is not proper to talk about individual cases in a conference like this.

Mayur Shetty
Times of India: Sir, you had recently said about the limited fiscal space available with the government and after that there has been the corporate tax cut and we have seen GST numbers coming down. So, do you think there is any fiscal room going ahead or will all the work have to be done by RBI?

Shaktikanta Das: I think your main question relates to the economy, reviving the economy and the government has announced three rounds of measures. They have announced a very big, the corporate tax rate cut is a very big measure which they have taken and it is definitely overall, I have on record I have said it is net positive for the economy. And again, you are bringing back the fiscal question; government has said that they will stick to the fiscal deficit and I have no reason to doubt that.

Ira Dugal
Bloomberg Quint: Sir, allow me two small questions. One is on growth. You have come down to 6.1 from 6.9. Dr. Patra will correct me, but in recent memory it does not, I cannot remember, such a sharp cut from the Reserve Bank of India. The MPR gives some analysis and one thing it does say is that there is weakness in employment intensive sectors. Does the RBI believe that there is a significant part of the growth slowdown, which is coming in from wages, employment, growth?

Shaktikanta Das: I missed that last part of the question because of some disturbance here.

Ira Dugal
Bloomberg Quint: I just wanted to know whether the RBI believes that a large part or a significant part of the slowdown is linked to employment generation of the economy and wage growth in the economy not just in rural areas, but also in urban areas and the other problem is on the chart which shows the flow of financial resources to the commercial sector. There is again a sharp drop in the April to September period compared to last year with credit growth not picking up from banks even on non-banks, how does the RBI intend to correct both price and availability of money?

Shaktikanta Das: Price is a function of the market and so far, as we are concerned, to ensure better transmission, we have come out with this external benchmark requirement. Now, that is already there. With regard to the slowdown, whether it is due to decline in income both rural and urban, I think it is very clearly explained in the minutes in the resolution of the MPC and rural demand or the urban demand contraction is a reflection of various factors. It could be sentiment, it could be stress on income, it could be falling domestic savings. So it is a complex set of factors which is reflecting upon this. Michael, would you like to supplement this?

Dr. Michael D Patra: No, Sir.

Bijoy Idicheriah Cogencis:

Just two questions. One is on transmission again. In the MPR, you actually note that small savings are again impeding policy transmission and we note that on existing outstanding loans, the price has actually gone up in the period that you all have actually cut your repo rate by 110 basis points. It has gone up by 7 basis points is what we calculate. Is there any way you can convince the government to actually stick to the formula that they had accepted on small savings schemes because they clearly seem to be playing to a different tune than the formula itself and on the second question on offshore markets and non-resident rupee account, if you could just clarify on whether this is because increasingly the pricing of the rupee seems to be driven by external factors like NDF which is why you all have decided to open up and first set up the Thorat committee report and now gradually opening up so that you can attract investors into rupee market?

Shaktikanta Das: On the first question with regard to the small savings, I have earlier said that on various issues the RBI is engaged with the government on discussions and all these discussions are internal, various issues and that would obviously include the small savings rates. And with regard to the other question the second question which you asked, you see, the NDF market was developing offshore and compared to the offshore market, the size of the Indian market was shrinking. So, therefore, that issue had to be addressed. The second issue is that India is now getting increasingly integrated to the global economy and so therefore it was necessary for us to look at the changing environment and ensure that India responds to this growing integration to the global economy and also we have a roadmap for gradual capital account convertibility. So, all these aspects have been kept in mind. That is why this committee was constituted. We have a very cautious path, a carefully drawn path in this direction, so this is basically a consequence of that.

Manojit Saha The Hindu:

I also have two questions. One is that the growth has been revised by 80 basis points. It is a very sharp revision, but why the rate cut was only 25 basis points, the usual rate cut. Last time, it was 35. So why only 25 because it seems you are very concerned about growth. The second question is that this banking question was hiding NPA for the last 8 years. Why was RBI unable to spot that something is going wrong in the bank?

Shaktikanta Das: See, again, individual cases, I would not like to comment. We are looking into all aspects of this particular bank which you are mentioning, and the matter is now under investigation by the Economic Offences Wing. So therefore, at this point of time I would not like to go into further details and with regard to 25 basis rate cut, you have to see it on the back of 110 basis points, which has been done. So it is 110 plus another 25, so it is 135, and over a period between February to October so which is about 8 or 9 months period, so you have to see that and I think I have already answered that question a little while earlier.

Gopika Gopakumar Mint:

I have two questions as well. One is- what is the impact of corporate tax rate cut? Has RBI done any study to assess the impact of the corporate tax rate cut on the economy? Second is- you said we should not single out a cooperative bank, but history has shown that there have been several failures in the cooperative banking system. So how many more failures is RBI willing to allow before you initiate a conversation or discussion with the government to amend the regulations around cooperative banks?

Shaktikanta Das: RBI would not allow a cooperative bank to collapse. Cooperative banks develop their own problem because of so many other factors. So, when you say that RBI would allow; RBI obviously cannot allow a cooperative bank to collapse. The discussion with government with regard to the regulatory provisions of cooperative banks, which, as you know are different from the other scheduled commercial banks. So that is an ongoing process, that is a continuing process. We are in discussion with the government.

Ramkumar
Hindu Business Line: PNB scam has happened before last year. Last year, again IL&FS happened, then this year again PMC has happened actually. So, is RBI trying to do something about fixing the supervisory inspection mechanism? Is there any accountability fixed at the regulatory level, actually?

Shaktikanta Das: So far as supervision is concerned, we have already announced formation of a separate department for supervision and building of a separate cadre of officers for supervision. So, the department has been formed and it is work in progress and so therefore those steps have been taken. And with regard to fixing up responsibility, I have mentioned that all aspects of this PMC bank issue are being looked into and at this point of time, I will not be able to go into further details.

Anirban Nag
Bloomberg: Governor, coming back to the fiscal question; how worried are you? At least the market seems to be very worried about the crowding out effect that this corporate rate tax will have on the fiscal?

Shaktikanta Das: As long as the fiscal deficit target is maintained, so the crowding out effect, it doesn't alter. Whatever was the effect, it is the same and over the past few years, RBI as the debt manager has ensured that the borrowing programme of the government goes through in a very nondisruptive manner, so that will be, it will continue to be so.

Anirban Nag: And the other question was, we have spoken about the shadow banking issues time again we have met, when do you see the worst is actually over because we are seeing fresh skeletons coming out almost on a daily basis, if not weekly basis?

Shaktikanta Das: I have answered this question earlier, the NBFC sector and now the HFCs which have now been transferred to RBI for regulation purposes; we are monitoring the top NBFCs very closely. Our supervision and monitoring is very close and intense with regard to the non-banking finance companies. So, therefore, at this point of time, you have to also keep in mind that based on our 7th June circular, wherever there are signs of some default or some signs of stress, the banks are also now signing intercreditor agreement and they are dealing with such cases and overall, the NBFC sector remains under RBI's very intense and close supervision. You would like to add anything?

M. K. Jain: No, Sir.

Parnika Sokhi
MoneyControl: Sir, I have two questions, both regarding the health of the banks. Sir, you said we should not actually take one incident and generalize it to the entire segment of the banks, but it has.

Shaktikanta Das: I said that with reference to the cooperative banks, failure of one.

Parnika: Yes, but it has actually triggered a lot of fear in the depositors for cooperative banks because this bank appeared to be very healthy, it was posting profits and all of a sudden all of this comes out. So, my question is that does an incident like this warrant change in the way these banks are actually regulated? Would RBI prefer that cooperative banks are completely regulated by RBI and there is no shared authority here?

Shaktikanta Das: You see, every such incident is an experience. So, based on this experience obviously, we will give a fresh look at the regulatory framework that is in existence and if any changes are required, we will take it up with the government.

Parnika: But RBI favors that it should be completely brought under.

Shaktikanta Das: No, I would not like to, I cannot say what we will favour. It will depend on the outcome of our review.

Parnika: The other question is about the government efforts, so one of the measures that they announced was that banks including public sector and private would both be setting up these loan fairs to push out credit growth. Now, what we understand from the past experience is these kind of activities are actually driven by targets, even at the branch levels and there is less thought given to the due diligence, so is there a risk for asset quality coming out of these kind of measures?

Shaktikanta Das: If you see the government circular which has been issued, the government letter which has been issued to the banks; it does make a specific mention that the banks are required to follow the prudent lending principles. The term they have used is prudent lending principles. The government have highlighted that and so far as RBI is concerned, during our supervision and during our interaction at my level, either in a group or individually, in every interaction with the chiefs of public sector banks as well as private sector banks, we do emphasize the need for prudent lending.

Vyjayanthi Chakravarthy The New Indian Express: On the cooperative bank side again, in the public mind the distinction between the inspection and audit doesn't exist, so they are looking at the regulator to be performing probably an audit, not just an inspection, so that is one part. Couple of policies ago, RBI had asked cooperative banks to come forward and convert to small finance banks and things like that but not a single cooperative bank seems to have come forward. Is there anything that you can do to engage with the government and the state governments to get this whole cooperative bank system change because on their own they don't seem to be coming forward to change anything?

Shaktikanta Das: I think you yourself answered the question. On their own, they have not come forward and cooperative banks, the structure of cooperative banks; they are not shareholders, they are members. So, therefore that is the big difference and there are legal issues also involved, but I earlier mentioned that we will look at the existing regulatory framework of the cooperative banks and based on our internal review whatever changes are required to be undertaken we will take it up with the government.

Anand Adhikari
Business Today:

Sir, just one question on this deposit insurance cover, is there a case for a higher deposit insurance limit because it hasn't been changed for the last 26 years?

N. S. Vishwanathan: There has been this demand in the past as well, but the extent of deposit insurance cover, there are many elements that get into it in terms of how much percentage of deposit should get covered, how many percent of depositors should be covered. So, there are many factors that will determine that so there have been studies based on that and of course, still no final decision has been taken.

Ira Dugal: Sir, I just wanted to know if the RBI has undertaken an assessment of the risk to the financial system from real estate and I mean direct bank credit given out by NBFCs which also then has an impact on banks who have lend to them and also the bond markets where investors would have invested in direct real estate paper and NBFC paper linked to real estate?

Latha Venkatesh: Sir I just wanted to add to that because lately in the last week, especially after PMC's exposure to one real estate company, this is a fresh reason to sell both the equity and the bonds of the private sector banks. I mean the bond yields have also shot up, the prices have come down, so is there any move by RBI or government to tackle the underlying real estate issue?

Shaktikanta Das: With regard to the real estate sector, annually you know it, every six months we will come out with that financial stability report and as a part of the financial stability report, all these issues are internally analysed.

Ira Dugal: Across all segments- banks, NBFCs, bond markets together?

Shaktikanta Das: All segments are, whether together or separately I can't say, but all these aspects are analyzed and because of the evolving situation, there are certain sectors which require more intense analysis or scrutiny. So, it is the part of our financial stability, internal studies and we are looking at these issues.

Bhavik Nair
The Financial Express:

Regarding the offshore rupee markets, we have seen that according to the BIS survey, the NDF volumes have increased dramatically over the last few years. Now, you have accepted two of the recommendations by the task force. Do you think these recommendations would be enough to kind of bring those overseas volumes on to the onshore, because we have come to a stage where the NDF is, kind of, driving the onshore rupee market?

Shaktikanta Das: There are totally ten recommendations which the committee has made, and I did mention that the other recommendations of the committee are under examination. They also involve some amount of consultations with government, some amount of consultation with the banks and with the market players. That process is on. The remaining eight recommendations are very much on our table and they are under consideration. As and when we will decide, we will start issuing the circular as and when we decide.

Bhavik Nair:

Just one more question sir. Do you see any possibility either this fiscal or the next that there would be a possibility of a sovereign bond issuance?

Shaktikanta Das: This question should be asked to government and recently I think the secretary economic affairs has made a statement in this regard, so beyond that I am not in a position to add anything.

Ashish Agashe
PTI:

Just a small thing, you mentioned about RBI acting swiftly in wake of the PMC issue discovery. Sir, in the past we have seen various other moves including mergers of banks being undertaken so as not to affect the depositor trust. In this case, why was this particular way of dealing with the crisis chosen? I am asking this especially with the hindsight knowledge of how the depositors have reacted.

Shaktikanta Das: You see, every case is unique. You cannot sort of generalize and say that one instrumentality or one method which was used in a previous case has to be repeated here again. Every case is unique and based on the facts of this particular case, we have acted in the manner that we have. We have acted very quickly as soon as it has come to our notice. We have acted very swiftly and if you see, I spelt out the actions which have been taken in the last ten days and in the press note which we have issued yesterday, we have also said very clearly that the RBI is continuing to monitor the situation keeping in mind the interest of the depositors as the highest priority. I think we will have to now conclude, so just two to three more questions.

Swati Bhat Shetye
Reuters: Governor, we have been told that you recently met with some investors when you were in Singapore. This is for the global bond index, India wants to be a part of some global bond index. Just wanted to understand has India officially started lobbing for this and how many years down the line would we see something like this happen?

Shaktikanta Das: My meeting in Singapore, about a month ago was not for inclusion of India in the global index; it was a general interaction which we do time to time. We do interaction in Mumbai also and I did one interaction earlier, in March, in Hong Kong with the investors and this was a part of that process of interacting with the investors in various locations; and Singapore, there are lots of funds and other investors which are based in Singapore who invest in India.

Jagdeep Cheema
BBC News:

You downgraded the growth forecast to 6.1%, how concerned are you about global trade spats and especially between the US and India at the moment and what effect that has on India's growth?

Shaktikanta Das: Between US and India- at the moment as we are talking, the US Commerce Secretary is on a visit to India and both the Commerce Secretary and Indian Commerce Minister have made statements that they are looking for early resolution. I am not privy to the discussions that are ongoing and so far as India US trade issues are concerned, I am quite confident that they will get resolved pretty fast.

Subhash Shirke News Nation: Whatever rate cuts have happened till now, is any monitoring happening to check if it is transmission is happening to consumers?

Shaktikanta Das: I have said that before. The external benchmark that we have introduced that will constantly, regularly, on a monthly basis monitor internally, as to how much transmission is happening.

Swati Khandelwal: Sir, lending cap for MFIs you have increased, 1.25 lakhs. Will we see anything in direction for small finance banks? Will there be any change?

Shaktikanta Das: One has happened now. If something happens in small finance banks, you will come to know about it.

Govardhan Rangan: You have been monitoring the top 50 NBFCs quite closely in the last nine months or so, but there have been some defaults in the recent past. What are the probabilities of any one of the top 50 NBFCs that you are monitoring going to default in the next few quarters?

Shaktikanta Das: I have said it earlier that it will be; I am just repeating what I said earlier. It is our endeavour to ensure that we do not encounter failure of another large systemically important NBFC. So with that objective we are monitoring them and wherever required, we are calling the management of those NBFCs, having dialogue with them and taking issues forward; how to resolve the issues and in some cases I mention that the banks are also signing intercreditor agreement as per the 7th June circular and trying to, sort of, restructure that particular loan.

Mythili Bhusnurmath: Governor, one quick question. On the GDP estimate is it again consensus because there is no voting over here that you tell us about in that statement because the monitory policy report is little bit more downbeat, it says near term outlook is froth with risks, so over the next year, it says GDP….

Shaktikanta Das: It is unanimous. There are so many deliberations which take place within the MPC, but finally we all converge and no voting on the growth forecast or the inflation happens. But I can tell you everybody is on board and everybody is not only on board, but everybody is okay. All the members of the MPC are okay with these numbers, the growth as well as inflation.

Pradeep Pandya: Sir, the one assurance which you have given and also an appeal not to pay attention to rumours. I have one request for you. If you could tell that in Hindi, and second thing, will you be able to tell that people will not get trapped in other cooperative banks like this because people are withdrawing money from other cooperative banks too. Even there are rumours regarding private sector and people are withdrawing money from there too.

Shaktikanta Das: Please don't put words into my mouth. Whatever I have said in English, I would like to say that in Hindi too, that Indian banking sector is very sound and stable. I think Jain sir, you please say that in Hindi, that will be fine.

Participant: If you say it will be very good.

Shaktikanta Das: I don’t have the Hindi word for sound and stable. Please could you say, whatever, I will be here with a smile. Please say that in Hindi.

M. K. Jain: As Governor has said, we have also given a statement too that banking sector is fully safe and sound. Based on the data that we have as of now, we are not getting any indication that may warrant worries. Please don’t go with rumors. This is our appeal. Please don’t react to rumors.

Shaktikanta Das: Thank you.